

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 SP-02

AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 INT-05 FEAE-00 GSA-01

L-03 H-02 PA-01 PRS-01 IO-10 /132 W

----- 013265

R 081841Z SEP 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2879

INFO AMEMBASSY KINSHASA

AMEMBASSY LIMA

AMEMBASSY SANTIAGO

AMEMBASSY LUSAKA

AMEMBASSY TEHRAN

AMEMBASSY NOUAKCHOTT

AMEMBASSY CANBERRA

AMEMBASSY TOKYO

AMEMBASSY MANILA

AMEMBASSY PORT MORESBY

AMEMBASSY BELGRADE

AMEMBASSY ALGIERS

AMEMBASSY KUWAIT

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E.O. 11652: N/A

TAGS: EGEN EMIN

SUBJECT: COPPER: CIPEC AND FRANCO-ZAIRIAN CALL FOR
CONFERENCE.

1. SUMMARY: FRENCH AND ZAIRIANS EXPECT COPPER PRO-
DUCER-CONSUMER NEGOTIATIONS TO BE LAUNCHED THROUGH
RESUMED DC/LDC DIALOGUE. CIPEC SECRETARIAT SEES
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EVENTUAL GOAL OF NEGOTIATIONS TO BE BUFFER STOCK SCHEME

SIMILAR TO TIN AGREEMENT, WITH CONSUMERS SHARING COSTS.
END SUMMARY.

2. ACCORDING TO CIPEC SEC GEN GUERONIK, AS WELL AS GOF FINANCE AND MFA OFFICIALS WITH WHOM WE HAVE SPOKEN, FRENCH-ZAIRIAN CALL FOR COPPER PRODUCER-CONSUMER CONFERENCE WAS LARGELY EXPLORATORY AND IS NOT YET BACKED UP BY ANY SPECIFIC PROPOSAL AS TO MEMBERSHIP, VENUE, SPONSORSHIP, ETC. MFA OFFICIALS CLAIM THAT MOVE WAS TAKEN AT GISCARD'S INITIATIVE, IN EFFORT TO "PUSH" CIPEC MEMBERS INTO DIALOGUE WITH CONSUMERS. ACCORDING TO BOTH GOF AND CIPEC SOURCES, FRANCE AND ZAIRE MIGHT BE PREPARED TO CO-SPONSOR SUCH A CONFERENCE BUT AT PRESENT FORESEE THAT IT WOULD BE LAUNCHED AS OUTGROWTH OF COMMODITIES COMMISSION IN UPCOMING LDC/DC DIALOGUE. GOF IS CURRENTLY STUDYING POSSIBLE NEXT STEPS. CIPEC MEMBERS WILL DISCUSS FRANCO-ZAIRIAN INITIATIVE (AND PRESUMABLY DORSE IT FORMALLY) AT COUNCIL OF MINISTERS MEETING TO BE HELD IN NOVEMBER.

3. ADDITION OF NEW CIPEC MEMBERS ALSO TO BE ON AGENDA FOR NOVEMBER MEETING. GUERONIK SAID CIPEC HAD RECEIVED AND WAS CONSIDERING "INFORMAL REQUESTS" FROM 4 OR 5 COUNTRIES FOR EITHER FULL OR ASSOCIATE MEMBERSHIP; ALTHOUGH HE WOULD NOT NAME NAMES, HE SUGGESTED STRONGLY THAT AUSTRALIA AND IRAN (OR PERHAPS ALGERIA? - ONLY IDENTIFICATION HE GAVE WAS "OIL PRODUCER") ARE AMONG THOSE BEING CONSIDERED.

4. CIPEC SECRETARIAT HAS LOW EXPECTATIONS FOR THE CURRENT UN SPECIAL SESSION OR UNCTAD COMMITTEE ON COMMODITIES AS FORUMS FOR DEALING WITH COPPER PROBLEMS. FRANCO-ZAIRIAN JOINT PROPOSAL IN CONTEXT OF UPCOMING DC/LDC DISCUSSIONS WOULD SERVE TO GENERATE MOMENTUM FOR SUBSEQUENT FORMAL MEETINGS AMONG MAJOR COPPER PRODUCERS AND CONSUMERS, WHICH WOULD TAKE PLACE OUTSIDE AEGIS OF UN SPECIAL SESSION, UNCTAD, OR DC/LDC DIALOGUE. CIPEC MEMBERS FAVOR INITIAL NEGOTIATIONS LIMITED TO FEW MAJOR PRODUCERS AND CONSUMERS OF COPPER.

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5. GUERONIK WAS SURPRISED TO LEARN OF EMPHASIS IN KISSINGER SPEECH ON BUFFER STOCKS FOR COMMODITIES WITH VOLATILE DEMAND AND UPWARDLY INFLEXIBLE SUPPLY. CIPEC SECRETARIAT BELIEVES BUFFER STOCK SCHEME WORKING THROUGH LME IS BEST APPROACH TO COPPER MARKET STABILIZATION. GUERONIK STATED THAT BUFFER STOCK SCHEME REPRESENTS MAINSTREAM OF THINKING AMONG CIPEC MEMBERS, AND THAT TIN AGREEMENT COULD SERVE AS MODEL FOR COPPER

NEGOTIATIONS. GUERONIK STRESSED THAT EVOLVED USG POSITION REGARDING BUFFER STOCKS WOULD PERMIT "A MORE POSITIVE AND DIRECT APPROACH IN CIPEC TO THE QUESTION OF MARKET STABILIZATION". HE WAS ENTHUSIASTIC ABOUT ADMINISTRATION DECISION TO SIGN INTERNATIONAL TIN AGREEMENT, WHICH HE INTERPRETS AS USG ACCEPTANCE OF THE PRINCIPLE OF CONSUMER PARTICIPATION IN FINANCING OF BUFFER STOCKS. HE NOTED THAT FINANCING FOR ANY INTERNATIONAL ARRANGEMENT FOR COPPER WAS "CRUCIAL" ISSUE.

6. POSSIBLE UNILATERAL BUFFER STOCK FINANCING BY NON-ALIGNED COUNTRIES MOVED ONE STEP CLOSER TO REALITY AT RECENT LIMA CONFERENCE, ACCORDING TO GUERONIK, BY APPROVAL IN PRINCIPLE OF 3 BILLION DOLLAR FINANCING

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FUND. NEXT STEP, HE SAID, WILL BE CONVENING OF CONFERENCE TO ATTEMPT DRAFT ARTICLES FOR FUND AND RAISE THE NECESSARY ONE BILLION DOLLAR EQUITY. (ONLY PLEDGE SO FAR, HE SAID, IS FROM KUWAIT AND IS ON HIGHLY CONDITIONAL BASIS.)

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7. COMMENT: FUNDAMENTAL DIVERGENCE OF OPINION AMONG CIPEC MEMBERS ON FINANCING ISSUE IS REFLECTED IN THEIR DIFFERING VIEWS ON TYPE APPROACH TO STABILIZATION (I.E. BUFFER STOCK MECHANISM OR SYSTEM OF LONG-TERM CONTRACTS), ROLE OF CONSUMERS IN COMMODITY INITIATIVES, AND NEED FOR CLOSER COOPERATION WITH OIL PRODUCERS. UNILATERAL EFFORTS BY CIPEC MEMBERS TO ESTABLISH BUFFER STOCK FUND THROUGH IMF OR OPEC CREDIT WINDOWS HAVE RUN UP AGAINST DIFFICULT CREDIT TERMS AND RELUCTANCE OF CIPEC MEMBERS TO ASSUME FINANCIAL RISKS OF USING IMF OR OPEC CREDIT LINE AS COUNTER TO MARKET FORCES. CIPEC SECRETARIAT VIEWS PROSPECTS FOR CONSUMER-PRODUCER DISCUSSIONS ON COPPER (AND PRACTICALITY OF BUFFER STOCK APPROACH) AS DEPENDENT ON WILLINGNESS OF MAJOR CONSUMING COUNTRIES TO SHARE FINANCIAL BURDENS OF MAINTAINING COPPER RESERVES. END COMMENT.

8. IN DISCUSSING RESULTS TO DATE OF CURRENT CIPEC PRODUCTION AND SALES CUTBACK, GUERONIK INDICATED THAT MAJOR LESSON LEARNED BY CIPEC WAS ITS LACK OF MARKET CONTROL WITHOUT INCLUSION MAJOR PACIFIC PRODUCERS. COPPER PREVIOUSLY DUMPED ON MARKET FROM THESE SOURCES THROUGH JAPAN NOW COMING TO EUROPEAN REFINERS, INCREASING LME STOCKS AND FURTHER DEPRESSING PRICES.
RUSH

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